

Rosneft Oil Giant Targeted as U.S. Hits Russia With New Round of Sanctions

By [The Moscow Times](#)

July 17, 2014



U.S. President Barack Obama pauses while he delivers remarks about Ukraine while in the press briefing room at the White House in Washington.

U.S. President Barack Obama has imposed the biggest package of U.S. economic sanctions yet on Russia, hitting Russia's largest oil producer Rosneft and other energy, financial and defense firms, with what he called significant but targeted penalties.

Obama's latest round of sanctions came after close consultations with European leaders, who announced a less-ambitious package, also on Wednesday. The ultimate impact of the U.S. sanctions likely depends on whether the European Union follows suit.

The extent of the sanctions against key parts of the Russian energy and financial industry, including Gazprombank, was intended to serve notice to Moscow that its refusal to curb violence in eastern Ukraine has consequences.

The targeted companies also include Russia's second-largest gas producer, Novatek, Vneshekonombank, a state-owned bank that acts as payment agent for the Russian government, and eight arms firms.

The U.S. Treasury Department said the measures effectively closed medium- and long-term dollar funding to the two banks and energy companies. But the sanctions did not freeze those four companies' assets, or otherwise prohibit U.S. firms or companies from doing business with them.

It is the first time the U.S. has imposed such narrowly targeted measures as it seeks the maximum impact on Russia, a huge energy producer, while avoiding any immediate shock to global oil markets or U.S. and EU companies.

Russian President Vladimir Putin, speaking in Brasilia, said the sanctions would damage U.S. energy companies, and bring relations with Russia to a "dead end."

One analyst said the sanctions remained limited in their scope and were likely to prompt a "war of words" more than anything else.

"I think that the impact on oil sales will be negligible," said sanctions expert Douglas Jacobson, attorney at Jacobson Burton in Washington. "It is another classic shot across the bow and a message from the U.S. that sanctions can be ramped up."

Obama said Putin had so far failed to take steps needed to resolve the crisis peacefully.

"We have emphasized our preference to resolve this issue diplomatically, but that we have to see concrete actions and not just words that Russia, in fact, is committed to trying to end this conflict along the Russia-Ukraine border," he said.

Washington said Wednesday that up to 12,000 Russian combat forces were back on the border with Ukraine and that weaponry was crossing over to pro-Russian separatists.

The increase in the Russian presence occurred several weeks after Moscow had drawn down its forces in the area to about 1,000 troops.

Possible Further Sanctions

Obama said the U.S. could impose further sanctions if Russia did not take concrete steps to ease the conflict.

The U.S. has already imposed several rounds of sanctions on Russian and Ukrainian senior officials since the start of the violence, including Rosneft's chief executive, Igor Sechin. But the sanctions have had only a limited impact on the Russian energy industry, a cornerstone of the country's \$2 trillion economy.

It is not yet clear how large an impact the new measures will have on Rosneft, which had sales of \$40 billion in the first quarter, about 8.6 percent of Russia's gross domestic product, or the companies it does business with.

Sechin, who like Putin was speaking in Brasilia, said the sanctions would not affect Rosneft's

current project with ExxonMobil, but would damage the shareholders of U.S. companies cooperating with Rosneft.

The new sanctions would not appear to prevent Rosneft from selling its oil, but may raise questions about the company's more than \$15 billion worth of oil-related finance arrangements with companies including BP, which now owns almost one-fifth of Rosneft, and Glencore.

Morgan Stanley, which is selling the majority of its global physical oil trading operations to Rosneft, declined to comment.

The sanctions stopped short of targeting Russia's Gazprom, the world's largest natural gas producer and provider of much of Europe's energy supplies. Gazprombank is 36 percent-owned by Gazprom.

Running out of Patience

"These sanctions are significant, but they are also targeted, designed to have the maximum impact on Russia while limiting any spillover effects on American companies or those of our allies," Obama told reporters.

The new measures were announced on the same day that EU leaders met in Brussels and agreed to expand their own sanctions on Russia.

The new U.S. sanctions also include Feodosiya Enterprises, a shipping facility in Crimea, and senior Russian officials, several of whom had already been targeted by the European Union.

The affected senior officials included the deputy head of Russia's State Duma, the minister of the Crimea, a commander of the Russian intelligence agency FSB, and a Ukrainian separatist leader.

Obama in recent weeks has repeatedly threatened new sanctions, and appears to have run out of patience as fighting continued to rage in eastern Ukraine.

The new sanctions were unlikely to please Republican lawmakers, many of whom have been calling for the imposition of sanctions on entire Russian industries, rather than specific companies, as the best way to control Putin.

Republican lawmakers said they welcomed the additional sanctions but that Obama should go further. Several lawmakers, Republicans in particular, have called for broader sectoral sanctions targeting important Russian industries like energy and banking.

"Until now, the administration's response to Putin's aggression has given him little reason to change his behavior. Continuing to go after the Russian economy is the way to send the most effective message," Dan Coats, an Indiana Republican, said.

See also:

[U.S. Ready to Impose Unilateral Sanctions](#)

[on Russia](http://www.themoscowtimes.com/news/article/u-s-ready-to-impose-unilateral-sanctions-on-russia/503570.html)<http://www.themoscowtimes.com/news/article/u-s-ready-to-impose-unilateral-sanctions-on-russia/503570.html>

Original url:

<https://www.themoscowtimes.com/2014/07/17/rosneft-oil-giant-targeted-as-us-hits-russia-with-new-round-of-sanctions-a37403>